



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE & PERFORMANCE MANAGEMENT

Date of Meeting: 16th June 2006

Meeting:

Public

Key

Decision: Yes

Recorded in Forward

Plan: Yes

Inside Policy Framework Yes

Title: DRAFT ASSET MANAGEMENT PLAN 2006 - 2011

Report of: DIRECTOR OF DEVELOPMENT SERVICES

Report reference: DS 037/06

Summary:

This report provides a draft of the new Asset Management Plan for Members' consideration. It has been reviewed in the light of recent Government guidance. The report also seeks approval to the release of further asset investment funding.

Recommendations: It is recommended that:-

- (1) The Executive approve the Asset Management Plan in principle in order for it to proceed to consultation – including consideration by the Corporate Resources Overview and Scrutiny Committee:
- (2) The phase of programme for repairs and associated works to the industrial estates be noted and £200,000 from the asset investment fund be released to finance this.

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

BACKGROUND INFORMATION & OPTIONS

- 1.1** The Asset Management Plan has been a key document in the Council's financial planning process since it was introduced through Government guidance in 2001.
- 1.2** In the past year, there have been further changes recommended by Central Government on the way the plan is presented. The attached document follows this format.

ASSET INVESTMENT FUND

- 1.3** The release of this financial year's budget is sought to enable further repairs to take place on the industrial estates.
- 1.4** Previous years have seen investment at Kingstown and Willowholme (albeit the latter is delayed subject to Environment Agency and United Utilities plans being put in place).
- 1.5** It is recommended that this year's allocation be spent at Durranhill Industrial Estate, to include:-
 - (a) Street lighting columns
 - (b) Footpath repairs
 - (c) Safety crossing points
 - (d) Give way / Stop signage
 - (e) Repairs to carriageway joints
 - (f) Relay wearing course of carriageways where not adopted
 - (g) Replace kerbs
 - (h) Landscaping
- 1.6** The annual budget for such items is £200,000.

CONSULTATION

- 1.7 Consultation to date:** Corporate colleagues.
- 1.8 Consultation proposed:** Medium Term Financial Planning Group, Corporate Resources Overview and Scrutiny Committee, appropriate business stakeholders.

RECOMMENDATIONS – It is recommended:-

- (1) The Executive approve the Asset Management Plan in principle in order for it to proceed to consultation – including consideration by the Corporate Resources Overview and Scrutiny Committee:
- (2) The phase of programme for repairs and associated works to the industrial estates be noted and £200,000 from the asset investment fund be released to finance this.

2. REASONS FOR RECOMMENDATIONS

- 2.1** To approve the draft Asset Management Plan in advance of consultation and release funds for improvements to the physical condition of the Council's assets.

3. IMPLICATIONS

- Staffing/Resources – The workload for the delivery of the Asset Management Plan will be undertaken on a mix and match approach according to skills of the in-house team and that of private sector consultants.
- Financial – The Asset Management Plan summarises the Council's resources invested as they relate to assets.
- Legal – No issues arise in relation to this particular report.
- Corporate – All assets at the City Council are owned as a corporate resource as recommended by the Audit Commission.
- Risk Management – The City Council's exposure to risks in relation to assets has been analysed as part of the corporate Risk Register.
- Equality Issues – The Council's assets, where possible, are in compliance with the Disabled Discrimination Act.
- Environmental – A key theme to be investigated during 2006 is energy efficiency.
- Crime and Disorder – The Council's ethos of a 70% planned and 30% reactive maintenance regime ensures, as far as possible, that properties are well maintained and do not attract criminal damage.
- Impact on Customers – The Council's assets are a visible demonstration of its services to the citizens of Carlisle and it is essential that buildings are suitable, sufficient and sustainable in the right location.



Managing property as a resource for the City

ASSET MANAGEMENT PLAN

2006 - 2011

June 2006



INVESTOR IN PEOPLE

ASSET MANAGEMENT PLAN 2006 - 2011

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ASSET MANAGEMENT PLAN 2006 - 2011

The Council

Carlisle City Council delivers services to just over 100,000 people and has a net annual budget of £15 million per year. The Council uses its resources to improve services and quality of life for local people.

The Council's asset base is one of its key financial resources, with an income of over £5.75 million per annum and an open market value of £119 million. It is an income comparable to Council Tax.

Over 30% (12,500 people) of Carlisle's workforce are based at the Council's assets.

The Asset Plan and Council Priorities

The Council's key priorities are: -

- Carlisle – the Learning City
- Cleaner, Greener and Safer

The Council also recognises the importance of and fully supports the Carlisle Renaissance agenda.

This asset plan describes how the Council's property ownership policies support these priorities.

The plan also aims to guide readers about overall performance of the asset base and how it is being continuously reviewed.

Organisational Framework

The Asset Management Officer Group meets regularly to direct the work. This is reported through the Council's formal channels of the Finance and Resources portfolio holder, Executive and Corporate Resources Overview and Scrutiny Committee.

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Corporate Asset Objectives

Aim

To set out the Council's policy on its use of property in order to have a flexible approach to property ownership in order to secure a portfolio of the right size, quality, cost and location.

Objectives

1. We will identify all property which the Council own or uses, its value and the function which it performs.
2. We will make services aware of the costs of occupying property.
3. We will effectively respond to the changing property needs of services.
4. We will provide a transparent basis for property investment decisions.
5. We will ensure a healthy and safe environment for property users and to promote improved standards.
6. We will promote community and equitable use of assets.

Headline Performance Measures

The Council will aim to own assets which are suitable, fit for purpose and sustainable to enable services to be delivered effectively and with equality of access.

PI Proportion of assets in a sustainable condition and suitable for use – 90%.

The Council will ensure at least 90% occupancy of its commercially let business units.

PI Percentage of units let as a percentage of total units available to let.

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Government policy and statutory responsibilities

The 2006 Budget highlighted some major changes in the world of asset management. The 2007 Comprehensive Spending Review identified as one of its four key priorities: -

“Delivering a step change in the management of the public sector asset base”.

More specifically, the spending review focuses on the condition and management of the public asset stock as a basis for looking at investment decisions. The aim is to maximise value from assets through:

- Disposing of assets no longer required for service delivery.
- Improving the management and utilisation of retained assets.
- Basing future investment decisions on a more complete assessment of the condition and performance of the existing asset base.

The Resource Context: Key Line of Enquiry

The Audit Commission will judge the Council's approach to the management of its asset base as follows:

Level 2

“The Council's asset management strategy is effectively implemented”

Level 3

“Its asset management strategy complements partners' strategies creatively and efficiently to achieve Council and community ambitions”

The primary proposals for Level 3 are: -

- A Member has been allocated portfolio responsibility not just for assets but for asset management.

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- Members are aware of the level of backlog maintenance and have approved a plan to address it as appropriate.
- The Council has developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.

This Council is at Level 3 in the opinion of the Asset Management Officer Group.

Changes in the external environment – and implications for property

The underlying economic factors affecting the national economy apply to Carlisle subject to unique geographical characteristics. The City is held back from its full potential because it is not considered a prime location for investment by property market decision-makers. In overall terms, its property economy is relatively self-contained on a needs must basis.

Mainly sub-regional and local developers and investors serve the Carlisle property market, with the possible exception of the retail sector.

When the UK market shows an upward trend, stability or decline, the Carlisle market follows – subject to a time delay because of its location.

The City's peaks have been historically, neither high enough or long enough to attract much national interest – or more importantly, the magnet of institutional funds which finances property development. This may be slowly changing.

Attracting new interest to Carlisle can be painstakingly slow and has required public pump priming intervention over a long period at difference levels of risk, leadership and support.

It is the major financial institutions who ultimately control capital flow and investment. It is such institutions that make decisions in the UK property market. These funders prefer rapid rental growth in return for their capital investment in order to secure large rewards quickly and offset risk.

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Unless such funders are looking for long-term sustainable investment with the need for a geographic time consuming commitment, developers will prefer more profitable southern locations: where rental growth increases more rapidly and over longer periods.

This risk averse attitude by the private sector has meant that the public sector has had to be proactive in order to attract development to Carlisle in order to improve economic development opportunity for its community.

This is why Carlisle City Council owns a considerable property portfolio and needs to be at the leading edge of public – private partnership working.

However, the income has become an end in its own right and the Council's influences – both positive and negative – should not be underestimated when making asset decisions.

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The Existing Portfolio and its current performance

Asset Value as at June 2006

	Operational assets	Non operational assets	Surplus assets	Total
No of asset lots	113	86	7	206
Total income	£1,682,800	£4,091,411	£10,000 pa	£5,784,211
Total value	£30,000,000	£87,000,000	£2,000,000	£119,000,000
Re-investment	£1,070,000	£200,000	£5,000	£1,275,000
Asset Reserve	-	-	£2,100,000	£2,100,000
Capital Receipts	-	-	£1,480,000	£1,480,000★
Maintenance backlog	£2,500,000	£2,000,000	-	£4,500,000

★ Other receipts come from preserved Right to Buy.

Maintenance Backlog

	06/07	07/08	08/09	09/10	10/11
Total Revenue Budget	£707,370	£699,170	£701,170	£703,170	£703,170
Capital Schemes Special Projects	£250,000	£250,000	£250,000	£250,000	£250,000
Asset Investment Fund (Industrial Estates)	£200,000	£200,000	£200,000	£200,000	£200,000
Ratio Planned: Reactive Maintenance	80 : 20	80 : 20	80 : 20	80 : 20	80 : 20

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The total maintenance backlog is £4.5 million. Members' approved a 5-year programme of planned and reactive activities in January 2006. In condition category terms the split is as follows, A – being Excellent and D being Poor.

Condition Category (as a % of Total Assets)	Sustainable Criteria
A. 20%	Yes
B. 40%	Yes
C. 35%	Review
D. 5%	No

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Continuous Review and Challenge

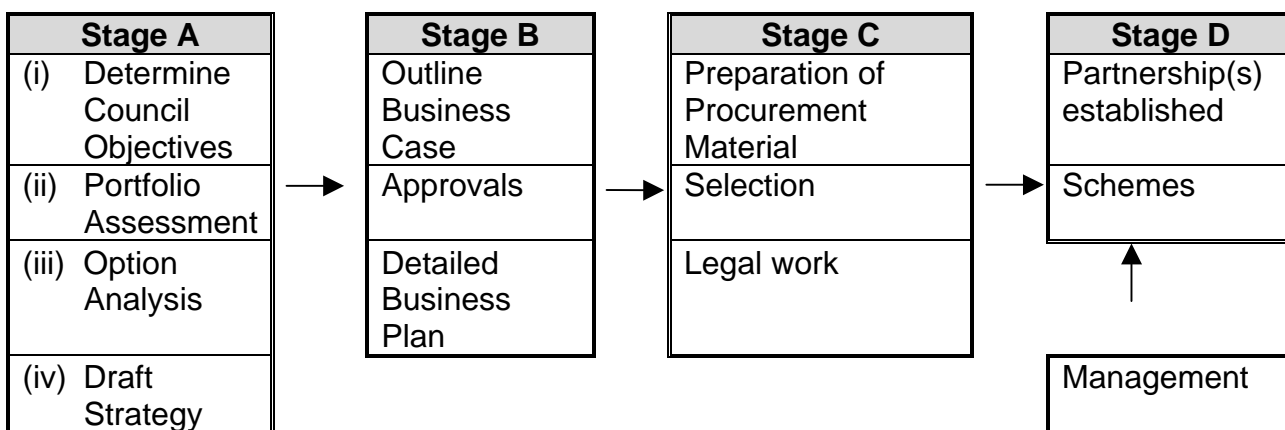
Gap Analysis – Portfolio Assessment

1. The City Council is in an excellent position compared to other local authorities.
2. It has a highly rationalised operational (service occupied) portfolio with a manageable maintenance backlog.
3. It has a diverse and mixed non-operational (predominantly commercial) portfolio which has considerable further potential.
4. The Council possesses a good portfolio and has a record of using property well to meet its aims, but needs a plan for future investment and development to allow it to continue to do this.
5. There is a significant opportunity to create dynamic and robust support to Carlisle Renaissance and other priorities.

Sharing services in accommodation across the public and voluntary sectors is a theme to lead.

Review of Asset Strategy, Property Objectives and Delivery

A “root and branch” asset review is midway through its process, as outlined below: -



6.

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Options Appraisal

Strategic Options on a site by site basis with each case being judged on its own merits is being considered under the asset review: -

EXAMPLE 1	The City Council establishes a single joint venture to which all the non-operational properties are transferred, managed and developed.
EXAMPLE 2	The City Council retains most of the assets and selects appropriate site by site joint ventures for the private sector to undertake schemes.
EXAMPLE 3	The City Council acts as a developer itself by buying old buildings and brownfield land, refurbishing and creating additional income.
EXAMPLE 4	The City Council divests some or all of the non-operational assets and their management to provide capital to invest in other priorities. ¹
EXAMPLE 5	The City Council retains assets as they are now.
EXAMPLE 6	The City Council establishes a strategic property partnership which covers the management and development of both the operational and non-operational assets.
EXAMPLE 7	The City Council establishes a partnership for the management of all its assets.

¹ There was a fundamental review of surplus assets in 2002 which established the process for the current policy which is now generating substantial receipts.

Preferred Strategy Options

1. Operational Property Strategy

- ☆ The Council will own a highly rationalised portfolio of property to deliver services and which provides users with a good standard of efficient, accessible accommodation and facilities by making buildings Cleaner, Greener and Safer in the right location and at the right cost.
- ☆ All service property will be efficient and effective in supporting delivery of the Council's priorities including one main location for City Council governance.
- ☆ The Council will occupy freehold property where appropriate.
- ☆ The Council will hold leasehold property only when necessary to deliver accommodation required on a flexible basis, or when freehold is not available.
- ☆ The Council will develop partnership working with other local authorities, public sector bodies, the community and voluntary sector to co-locate services.

The following policy principles are to be applied to enable delivery of the service property strategy:

Investment principles

Investment should be made only through a 5 year programme where:

- The property is required for the medium or long term use of the Council, and
- The investment
 - enhances service delivery
 - improves sustainability
 - improves utilisation
 - increases efficiency
 - adds value
- It addresses statutory obligations

2. Non-Operational Property Strategy

- ☆ The Council will own property that helps to deliver the corporate priority of a Learning City
- ☆ The Council will investigate new medium and long-term development opportunities that will support delivery of Carlisle Renaissance and economic development policies.
- ☆ The Council will own property that provides a regular and sustainable income stream, as a key component of the Medium Term Financial Strategy.
- ☆ The Council will strive to improve the performance of the income stream and reduce liability through partnership working and grant assistance where appropriate.

The following policy principles are to be applied to enable delivery of the non-operational property strategy:

Investment principles

Commercial property will only be held where:

- It provides an acceptable financial return
- There is potential for Council involvement to deliver economic development objectives
- It contributes effectively to the delivery of other Council priorities
- It improves future sustainability of income
- It addresses legal or contractual liabilities and obligations

3. Surplus Property Strategy

- ☆ The Council will dispose of assets that it does not require on the open market on a freehold and leasehold basis at best consideration.

The following policy principles are to be applied to enable delivery of the surplus property strategy:

Surplus property

All operational and non-operational property will be sold unless:

- It is occupied efficiently and effectively for services in the right location, at the right price.
- It can be used to develop Learning City Carlisle and / or a Cleaner, Greener, Safer Carlisle.
- It can be used to deliver social, economic or environmental benefits under Carlisle Renaissance.
- It is a long-term strategic investment.

4. *Property Acquisition Strategy*

- ☆ The Council will only acquire assets if there is a business case to support the improvement in service delivery in the Capital Strategy.
- ☆ The Council will acquire assets that assist with the delivery of Economic Development policy if there is a business case in the Capital Strategy.
- ☆ The Council will develop opportunities, in partnership, to assemble sites to deliver Council objectives, particularly its priorities of Learning City, a Cleaner, Greener and Safer City and Carlisle Renaissance.

The following policy principles should be applied to enable delivery of the property acquisition strategy:

Property acquisition

Property will only be acquired in the following circumstances:

- Where the service cannot be efficiently delivered without it
- Where it is required to deliver Economic Development policy
- Where it is required to support the delivery of other Council priorities

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Conclusions

- 1 The Council was awarded the highest accolade for its Asset Management Plan when it was rated by Central Government . It has also received excellent grading by the Beacon Assessors.
- 2 The Council has the Finance and Resources Portfolio Holder responsible for asset management.
- 3 Members are aware and have approved a plan to address backlog maintenance.
- 4 There are performance measures, which evaluate asset use in relation to corporate objectives.
- 5 The Council is in an excellent position compared to most other local authorities. It has a highly rationalised and suitable service occupied portfolio with a manageable maintenance backlog; it has a considerable commercial portfolio, which is generating sustainable income growth.
- 6 Of significant importance, the Council's asset base has considerable latent value, which if unlocked through a new strategy, will create robust support to economic development led by Carlisle Renaissance.
- 7 This last conclusion will be developed in a Business Case as a completion of the Asset Review.
- 8 In tandem with Renaissance, the Council will assist researching the shared accommodation agenda.

**ASSET MANAGEMENT
OFFICER GROUP**